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MESSAGE NO 001986 CLASSIFICATION Confidential No. Pages 2FROM: David N. Miller EA/EWT 632-1508 3819 N.S.  
(Officer name) (Office symbol) (Extension) (Room number)MESSAGE DESCRIPTION policy papers on US exports to USSR of  
oil and gas-related items, 1984D: (Agency) CIA DELIVER TO: [Redacted] Extension [Redacted] Room No. 25X1OR: CLEARANCE ☐ INFORMATION ☐ PER REQUEST ☒ COMMENT ☐REMARKS: Call for pick up. Followup questions to  
State can be directed to Laura Fox-Falk (632-1508)  
or Dave Miller (632-1508)S/S Officer: Ron Howe



United States Department of State

Washington, D. C. 20520

842,716

## INFORMATION MEMORANDUM

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TO: E - Mr. W. Allen Wallis

THROUGH: T - Mr. William Schneider Jr. *WS*

FROM: EB - Richard T. McCormack *RTM*

SUBJECT: US-USSR Economic Negotiations

REFERENCE: E Memorandum of July 12

This replies to your request (TAB A) for further recommendations on guidance for Commerce if the Soviet Union, at the projected Joint Commission meeting, should seek to make oil and gas equipment purchases from the U.S. a highly visible centerpiece.

While much can be done to normalize broader U.S.-Soviet trade, even by expanded official promotion by the Commerce Department, there are two principles the U.S. should consistently continue to defend as policy underpinnings:

- 1) The US supports mutually beneficial trade with the USSR in non-strategic and non-controlled goods on commercial terms; and
- 2) Consistent expressions of U.S. policy to our allies are important for the joint action that is clearly essential on East/West trade issues. In particular, there is a background of positions on oil and gas issues, in the past energetically staked out by the U.S. in COCOM, NATO and elsewhere.

The policy consistency concern envelops a welter of foreign policy raw nerves. We believe these raw nerves make the oil and gas field an inappropriate industrial field to be selected for enthusiastic, official US backing. It is true that considerable trade in energy equipment can now go forward under our controls, and USG efforts to expand energy equipment controls are presently dormant. However, our quiet acquiescence in non-strategic, non-foreign-policy-controlled trade is much more understandable to our allies than would be the public launching by our government of a trade promotion

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effort in this area. Although official USG support for energy equipment sales would be welcomed by the Soviets, it would convey to them the impression of inconsistency and confusion on our part. Finally, the export of Soviet energy long has been a key cornerstone of Soviet foreign policy, and we are still using UN, OECD and other fora to resist Soviet initiatives for broader energy cooperation in Europe. U.S. promotion of energy-related trade would therefore imply a rethinking of US policy in multilateral and energy areas.

For these reasons, Option 1 in Bob Morris' memo of July 13 is the appropriate course of action; i.e., that we will examine license requests on controlled items on a case-by-case basis, consistent with COMCOM and published foreign policy controls. Additionally, if we decide to be more forthcoming on Soviet proposals in this area, we could offer to expedite an official review of whether particular Soviet proposals would run afoul of controls. The U.S. controls were exhaustively reviewed in our recent memo to you (TAB 2).

Option 2, "associate ourselves overtly with a presumed Soviet desire to make expanded trade in licensable oil and gas equipment one of the main results of the (Commission) meeting," has the broad policy shortcomings we have noted. Almost any industrial field for cooperation would be better, except conspicuously for electronics and aviation. The Option 3 approach of providing some level of official promotion for such trade, in exchange for Soviet promotion of a U.S. economic goal, also seems not to merit further exploration. Beyond the drawbacks of energy equipment/technology promotion in the Soviet market, it would be very difficult to create symmetry. In the example given, we would export US energy equipment if we could also export agricultural equipment; even if this asymmetry were negotiable, the US government has little capacity to engineer such private sector trade-offs.

Ambassador Morris' earlier, July 2 memorandum requested evaluation of "possible Soviet interest in large-scale, highly visible purchases" in the oil and gas sector. Any large scale project in which we would be a principal participant is extremely likely to involve at least some export-controlled equipment and technology. Official backing of such a project would put pressure on ourselves to ease licensing for the "show" project, pressure which the Soviets would presumably be willing to aggravate by requests for the most advanced technologies. Large scale, highly visible U.S. participation

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in such a project would be certain to revive the extremely heated debate within the Administration on this subject as well as raise the foreign policy problems noted above. We therefore would oppose this option also.

Attachment:

- TAB A - Memorandum regarding US-USSR Economic Negotiations  
Dated July 13, 1984
- TAB B - Information Memorandum regarding Licensing of Oil and  
Gas Equipment and Technology for the USSR  
Dated July 12, 1984
- TAB C - Memorandum regarding U.S.-USSR Agreement on Economic  
Dated July 2, 1984

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